

## REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

Sinclair Oil & Gas Company  
PO Box 30825  
Salt Lake City, UT 84130-0825

Township 27 North, Range 53 East  
Section 16: All  
Section 21: All  
1,280.00 Acres  
Richland County

State Tract  
Section 16: All  
640.00 Acres  
Common Schools 100%

Sinclair Oil & Gas Company has filed a request with the Department for the approval of a federal communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

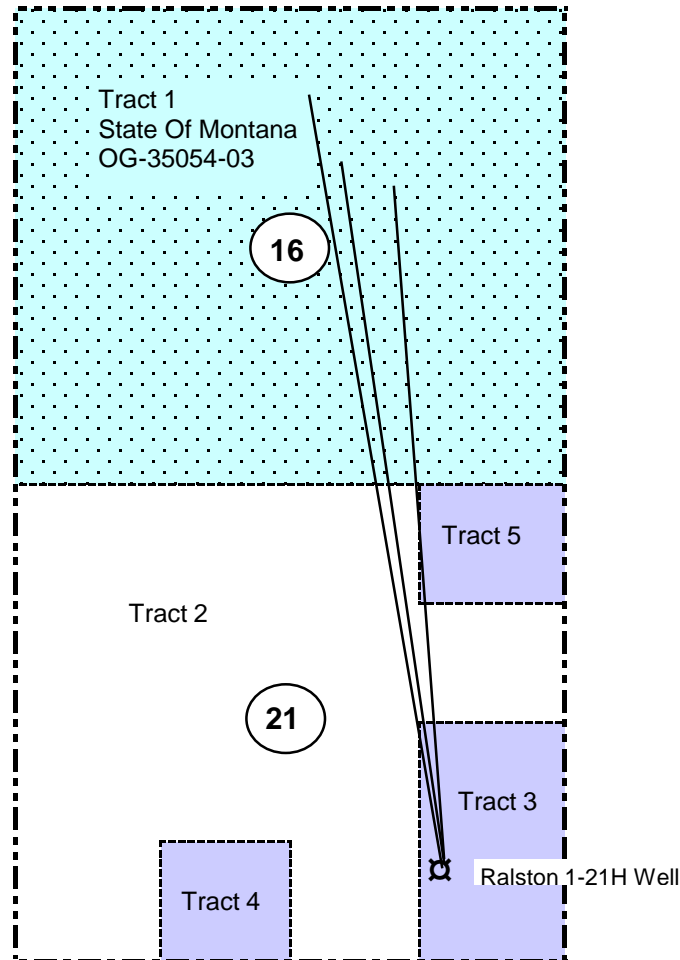
The Ralston 1-21H well, which is a Bakken formation oil well, was drilled in the SE $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 21. This permanent spacing unit has a total of 1,280.00 acres. The Department has mineral ownership of 640.00 of the 1,280.00 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalties from this well. The communitization agreement shall include the Bakken formation in Sections 16 and 21.

The Department's tract comprises 50.00% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The Department will consequently receive 6.50% of all oil production (13.00% royalty rate x 50.00% tract participation) and 6.25% of all gas production (12.50% royalty rate x 50.00% tract participation).

The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.


# Township 27 North Range 53 East

## Sections 16 & 21



### Recapitulation

Tract No.	Type	Acres	Tract Participation	Royalty %	Owners Interest Decimal
1	State of Montana OG-35054-03	640	50.000%	13.00%	6.500000%
2	Robert F. Ralston et al	480	37.500%	15.00%	5.625000%
3	Charley Creek Oil Company et al	80	6.250%	16.50%	1.031250%
4	United States of America	40	3.125%	12.50%	0.390625%
5	Jeanette Schmitz	40	3.125%	20.00%	0.625000%
Total		1280	100.00%		

 Communitized Area

\* The Operator of the Communitized Area is Sinclair Oil & Gas Company